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Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

**Tuesday, December 13, 2016
10:30 a.m., Arizona Time**

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Jeff Tyne, Chair, called the meeting to order at 10:31 a.m.

The meeting was teleconferenced to the ASRS office at 4400 E. Broadway, Tucson, Arizona 85711.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jeff Tyne, Chair
Dr. Richard Jacob

One vacant position.

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the August 9, 2016 Public Meeting of the OAC

Motion: Dr. Richard Jacob moved to approve the minutes of the August 9, 2016, public meeting of the OAC. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

3. Presentation, Discussion, and Appropriate Action Regarding an Update of the ASRS Retiree Health Insurance Open Enrollment for the 2017 Plan Year *(This agenda item was taken out of order and was formerly Agenda Item #4)*

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced the topic, announcing its success in light of it being a large undertaking with the new processes and new plans implemented this year. Mr. Guarino turned the presentation over to Mr. Dave King, Assistant Director, Member Services Division (MSD), Julie Lockwood, Program Administrator, MSD, and Mr. Frank Perri, Benefits Program Administrator, MSD.

Mr. King, Ms. Lockwood and Mr. Perri highlighted the following and responded to questions from the Committee:

- Five additional ASRS non-Medicare plans introduced.
- Varying premiums and benefit levels, to provide non-Medicare retirees and their dependents multiple options for lower cost plans.
- Reductions in 2017 premiums for existing ASRS Medicare plans.
- New online enrollment process and upgraded paper application process.
- Automated, secure enrollment file exchanges with Medical and Dental vendors.
- Significantly updated website, enrollment and marketing campaign materials to advertise the new plans, rates and processes.

Mr. Perri added that 85% of the online enrollments were processed directly through to the vendor without the need for any manual intervention from ASRS staff. With the new online process and the upgraded paper application process, the ASRS was able to reduce the size of the command center for Open Enrollment significantly this year, the temporary staff needed from the vendors was reduced by approximately 50% and the ASRS did not have to hire any additional staff to assist in processing Open Enrollment applications.

Mr. King commended the Technology Services Division (TSD) staff for the extensive testing they performed of the online application to ensure that the members would not have difficulty navigating the system. Staff did not receive any calls requesting assistance in navigating the enrollment process, nor did they receive any complaints about the process.

4. Presentation, Discussion, and Appropriate Action Regarding the 5-Year Technology Plan FY16 Report *(This agenda item was taken out of order and was formerly Agenda Item #3)*

Mr. Anthony Guarino introduced the topic by stating today's presentation is to provide an update on current projects and initiatives underway to enhance productivity and security at the ASRS. There are four areas of focus with a significant number of staff hours allocated as follows: new development/reengineering processes; support for existing technology; modernize/upgrade technology; and fraud detection systems, which is new this year. Mr. Guarino introduced Ms. Sara Orozco, Manager, Strategic Planning and Analysis. Prior to turning the presentation over to Ms. Orozco, Mr. Guarino took a moment to recognize and congratulate Ms. Orozco who is celebrating her 25th anniversary with the ASRS.

Ms. Orozco reviewed the 5-year Technology Plan and provided the following status updates:

- Production Support: Maintenance and Support of Business Applications
 - Status: Ongoing
- Benefit Disbursements Project
 - Status: On schedule for a June 2019 completion
- Service Purchase Modernization (Oracle Modernization/PWEB)
 - Status: Ongoing through May 2018
- Transfers Out
 - Status: Completed in January 2016
- Online ASRS Health Insurance Enrollment Application
 - Status: Completed in August 2016
- Oracle Modernization – Health Insurance
 - Status: Ongoing through August 2017
- Employer Secure Messaging
 - Status: Completed in January 2016
- Member Secure Messaging
 - Status: Completed in October 2016
- Fraud Detection and other Security Initiatives
 - Status: Ongoing
- System Upgrades
 - Status: Ongoing

Ms. Orozco, Ms. Valerie Burkett, Project Manager, TSD and Ms. Nancy Bennett, Assistant Director, Financial Services Division, responded to questions from the Committee.

Mr. Guarino advised the Committee the confidential document provided describes in greater detail some of the ASRS' plans in the area of security development. Mr. Guarino stated it is at the Committee's discretion, if they wish to discuss the security initiatives in greater detail, they would need to do so in executive session. The Committee had no further questions regarding the initiatives.

5. Presentation, Discussion, and Appropriate Action Regarding the Internal Audit Quarterly Update

Mr. Bernard Glick, Chief Internal Auditor, provided a summary of the Internal Audit Quarterly Audit report with the Committee. Mr. Glick advised the Committee the IT Auditor position still remains vacant. A consultant was hired mid-November, who is currently working on the Data Security Integrity Audit. Mr. Glick is expecting the audit to be completed and ready to be presented to the OAC in April 2017.

6. Review of Recently Conducted Audits

Mr. Bernard Glick reviewed the following audits conducted by the Internal Audit Division (IAD).

- **Apache County – Employer Audit**

The IAD had one finding from the Apache County audit. The employer agreed with the findings and IAD's recommendations.

- **City of Apache Junction – Employer Audit**

The IAD had five findings from the City of Apache Junction audit. The employer agreed with the findings and IAD's recommendations.

- **City of Benson – Employer Audit**

The IAD had four findings from the City of Benson audit. The employer agreed with the findings and IAD's recommendations.

- **City of Bisbee – Employer Audit**

The IAD had three findings from the City of Bisbee audit. The employer agreed with the findings and IAD's recommendations.

- **Prescott USD – Employer Audit**

The IAD had two findings from the Prescott USD audit. The employer agreed with the findings and IAD's recommendations.

- **Stanfield ESD – Employer Audit**

The IAD had no findings from the Stanfield ESD audit.

- **Western Arizona Council of Governments – Employer Audit**

The IAD had two finding from the Western Arizona Council of Governments audit. The employer agreed with the findings and IAD's recommendations.

7. Presentation, Discussion, and Appropriate Action Regarding the 2017 OAC Calendar

Mr. Anthony Guarino presented the 2017 OAC meeting calendar with meetings beginning in February.

Motion: Dr. Richard Jacob moved to accept the ASRS OAC meeting calendar as presented. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

8. Request for Future Agenda Items

None were requested.

9. Call to the Public

There were no members of the public in Phoenix requesting to speak. There were no members of the public in Tucson.

10. Adjournment of the OAC

Motion: Dr. Richard Jacob moved to adjourn the meeting at 11:28 a.m. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

Respectfully Submitted,

ARIZONA STATE RETIREMENT SYSTEM

Signed Copy on File

Melanie Alexander
Committee Administrator

Signed Copy on File

Anthony Guarino
Deputy Director and Chief Operations Officer